

Message Text

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PAGE 01 PRETOR 03151 161526Z

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ACTION COME-00

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R 160958Z JUL 76
FM AMEMBASSY PRETORIA
TO SECSTATE WASHDC 4931
INFO AMCONSUL JOHANNESBURG

UNCLAS PRETORIA 3151

E.O. 11652: N/A

TAGS: BENC, SF, ENRG

SUBJ: MAJOR PROJECT: ISCOR DIRECT REDUCTION PLANT

REF: STATE 172564; JOHANNESBURG 1142

1. DURING MEETING AT ISCOR JULY 15 WE WERE TOLD THAT DIRECT REDUCTION PLANT IS STILL HIGHEST PRIORITY NEW PROJECT ALTHOUGH MAIN FUNDING MUST AWAIT COMPLETION OF EXISTING CAPITAL PROJECTS. ACCORDINGLY, CALL FOR TENDERS ORIGINALLY CON-TEMPLATED OCTOBER HAS BEEN DELAYED.

2. PLANT IS SCHEDULED TO BE COMMISSIONED MARCH 1980 WITH CONSTRUCTION TIME OF ABOUT TWO YEARS. FUNDING PROJECTION OF R140 MILLION (ONE RAND EQUALS (\$1.15) DIVIDED AS FOLLOWS:
1977 R6 MILLION; FIRST HALF 1978 R12 MILLION; SECOND HALF 1978 R 27 MILLION; FIRST HALF 1979 R44 MILLION; SECOND HALF 1979 R 47 MILLION.

3. ISCOR OFFICIAL INDICATED MIDREX SYSTEM FAVORED OVER EUROPEAN COMPETITORS.

4. IN COURSE OF MEETING, ISCOR EXPLAINED DECISION TO IMPORT 500,000 TONS OF US COKING COAL REPORTED PROVIOUSLY. INFERIOR QUALITY OF DOMESTIC COKING COAL WHICH HERETOFORE SUPPLIED ALL ISCOR'S IRON- MAKING NEEDS HAS RESULTED IN LOW EFFICIENCY OF BLAST FURNACES. TESTS WILL SMALL SAMPLE OF HIGH QUALITY RHODESIAN COKING COAL SHOWED IMPROVEMENT OF 15 PERCENT IN IRON OUTPUT. ISCOR CALCULATES THAT EVEN AT
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PAGE 02 PRETOR 03151 161526Z

MUCH HIGHER DELIVERED PRICE (R70 FOR US COAL VS. R17 FOR

SOUTH AFRICAN) AN INCREASED OUTPUT OF 12 PERCENT WOULD JUSTIFY
USE OF IMPORTED COAL. ISCOR CONTRACT TEAM HAS JUST LEFT FOR
US FOR MEETINGS WITH NUMBER OF AMERICAN FIRMS THAT HAVE
TENDERED.
BOWDLER

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